

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Lincoln Township	County Newaygo
Audit Date 3/31/05	Opinion Date 6/15/05	Date Accountant Report Submitted to State: 7/7/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Hendon & Slate PC			
Street Address 711 W Main		City Fremont	State MI
Accountant Signature <i>Jodi DeKruiger, CPA</i>		ZIP 49412	
		Date 7/7/05	

**TOWNSHIP OF LINCOLN
NEWAYGO COUNTY, MICHIGAN**

FINANCIAL STATEMENTS

MARCH 31, 2005

TOWNSHIP OF LINCOLN
Newaygo County

Township Board

	<u>Position</u>
Buckley A. Geno, Jr.	Supervisor
Sharon Noggle	Clerk
George Dickinson	Treasurer
Dennis Dickinson	Trustee
Tom Worden	Trustee

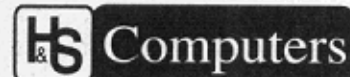
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HS & Companies



Hendon & Slate, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS



June 15, 2005

Township Board
Lincoln Township
Newaygo County, Michigan

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lincoln Township, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lincoln Township, Michigan, management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statements presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lincoln Township, Michigan, as of March 31, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, Lincoln Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of March 31, 2005.

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The management's discussion and analysis and budgetary comparison information on pages 3 through 5 and 19 through 21, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lincoln Township, Michigan's basic financial statements. The introductory section on combining financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Hendon & Slate, P.C.

Hendon & Slate, P.C.
Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Using This Annual Report

This annual report consists of a series of financial statements. The Governmental Wide Statement of Net Assets and the Government Wide Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's combined net assets decreased 12% from a year ago – decreasing from \$348,193 to \$308,996. The main reason was an increase in expenses in the Road Fund. Contracted services increased almost \$69,000 over the prior year. Please note, the prior year had not been adjusted for GASB 34. In a condensed format, the table below shows key financial information (in future years, when prior year information is available, a comparative analysis of government wide data will be presented):

	Governmental Activities 2005
Current Assets	\$ 295,590
Noncurrent Assets	<u>18,801</u>
Total Assets	<u>\$ 314,391</u>
Current Liabilities Due to Other Units	<u>\$ 5,395</u>
Net Assets - Unrestricted	<u>\$ 308,996</u>
Program Revenues	
Charges for Services	\$ 2,883
General Revenues	
Property Taxes	110,619
State Grants	101,963
Interest Income	2,545
Miscellaneous	<u>12,294</u>
Total Revenues	230,304
Program Expenses	
Legislative	11,802
General Government	74,173
Public Safety	50,569
Public Works	117,495
Other Functions	13,782
Unallocated Depreciation	<u>1,680</u>
Total Expenses	<u>269,501</u>
Change in Net Assets	<u>\$ (39,197)</u>

Management's Discussion and Analysis (Continued)

The Township's total net assets continue to remain healthy. Unrestricted net assets is 115% of total expenses. This means the Township could operate approximately 14 months with no revenue.

Governmental Activities

The Township's total governmental revenues increased by approximately \$9,000 due to various sources.

During the year there were significant improvements to the roads within the Township, including repaving a one mile section of Luce Avenue, blacktopping Highland Avenue, overlay and build run-off on Lincoln Avenue and overlay on Eastern.

Currently Lincoln Township has no long-term debts or commitments for capital expenditures.

Business-Type Activities

The Township had no business-type activities.

The Township's Fund

Our analysis of the Township's major funds follows the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such a special property tax millages. The Township's major funds for 2005 include the General Fund, Fire Fund, and Road Fund. There are no nonmajor funds.

The General Fund typically pays for most of the Township's governmental services. However, this year the Road Fund incurred large expenditures totaling \$101,857 compared to \$134,217 in the General Fund. Last year Road Fund expenditures totaled \$33,064 compared to \$129,858 in the General Fund.

General Fund Budgetary Highlights

Over the course of the year, the Township Board found it necessary to amend the budget to take into account events during the year. In the General Fund and Fire Fund, the Board did not increase total budgeted expenditures. If a particular activity needed an increase, it was offset with a decrease from another activity.

Capital Asset and Debt Administration

At the end of 2005, the Township had \$33,579 invested in a broad range of capital assets, including land, buildings and equipment. In addition, the Township had invested significantly in roads within the Township. These expenses are not reported in the Township's financial statements because of Michigan law, which makes these roads property of the Newaygo County Road Commission (along with the responsibility to maintain them).

Economic Factors and Next Year's Budgets and Rates

The Township's budget for 2005-2006 will be similar to the 2004-2005 final amended budget. The Board anticipates similar expenditures in the Road Fund during 2005-2006 as it had seen in 2004-2005. The Township's budget for 2005 calls for a small increase in property taxes due to the limited allowed property value increases (the lesser of inflation or 5%).

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Clerk's office.

TOWNSHIP OF LINCOLN

Government Wide Statement of Net Assets March 31, 2005

	Governmental <u>Activities</u>
ASSETS	
Cash	\$ 276,977
Accounts Receivable	70
Taxes Receivable	15,225
Prepaid Insurance	3,318
Property and Equipment	32,579
Accumulated Depreciation	(16,778)
Land	<u>3,000</u>
Total Assets	314,391
LIABILITIES	
Due to Other Units	<u>5,395</u>
NET ASSETS	
Unrestricted Net Assets	<u>\$ 308,996</u>

The Notes to the Financial Statements are an integral part of this statement.

TOWNSHIP OF LINCOLN

Government Wide Statement of Activities For the Fiscal Year Ended March 31, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expenses) Revenue And Changes in Net Assets Governmental Activities</u>
Primary Government			
Legislative	\$ 11,802	\$ -	\$ (11,802)
General Government	74,173	2,883	(71,290)
Public Safety	50,569	-	(50,569)
Public Works	117,495	-	(117,495)
Other Functions	13,782	-	(13,782)
Unallocated Depreciation	<u>1,680</u>	<u>-</u>	<u>(1,680)</u>
Total Primary Government	<u>\$ 269,501</u>	<u>\$ 2,883</u>	<u>\$ (266,618)</u>

General Revenues

Property Taxes - Levied for General Purpose	\$ 32,925
Property Taxes - Levied for Public Safety	38,847
Property Taxes - Levied for Public Works	38,847
State Grants	101,963
Interest Income	2,545
Miscellaneous	<u>12,294</u>
Total General Revenues	<u>227,421</u>
Changes in Net Assets	(39,197)
Net Assets - April 1, 2004	<u>348,193</u>
Net Assets - March 31, 2005	<u>\$ 308,996</u>

The Notes to the Financial Statements are an integral part of this statement.

TOWNSHIP OF LINCOLN

Governmental Fund Balance Sheet March 31, 2005

	General Fund	Fire Fund	Road Fund	Total Governmental Funds
ASSETS				
Cash	\$ 243,614	\$ -	\$ 33,363	\$ 276,977
Taxes Receivable	4,435	5,395	5,395	15,225
Accounts Receivable	<u>70</u>	<u>-</u>	<u>-</u>	<u>70</u>
Total Assets	<u>\$ 248,119</u>	<u>\$ 5,395</u>	<u>\$ 38,758</u>	<u>\$ 292,272</u>
LIABILITIES				
Due to Other Units	\$ -	\$ 5,395	\$ -	\$ 5,395
FUND BALANCES				
Unrestricted	<u>248,119</u>	<u>-</u>	<u>38,758</u>	<u>286,877</u>
Total Liabilities and Fund Balance	<u>\$ 248,119</u>	<u>\$ 5,395</u>	<u>\$ 38,758</u>	<u>\$ 292,272</u>

The Notes to the Financial Statements are an integral part of this statement.

TOWNSHIP OF LINCOLN

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets For the Fiscal Year Ended March 31, 2005

Total Governmental Fund Balances	\$ 286,877
Total net assets reported for governmental activities in the statement of net assets are different from the amount reported as total governmental funds fund balance because:	
Prepaid insurance reflects amounts that will be used in a future period	3,318
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net assets:	
Governmental Capital Asset	35,579
Governmental Accumulated Depreciation	<u>(16,778)</u>
Total Net Assets - Governmental Activities	<u>\$ 308,996</u>

The Notes to the Financial Statements are an integral part of this statement.

TOWNSHIP OF LINCOLN

Governmental Fund Statements of Revenue, Expenditures and Changes in Fund Balance March 31, 2005

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Road Fund</u>	<u>Total Governmental Funds</u>
Revenues				
Property Taxes	\$ 32,925	\$ 38,847	\$ 38,847	\$ 110,619
State Grants	101,963	-	-	101,963
Charges for Services	2,883	-	-	2,883
Interest	2,081	-	464	2,545
Licenses and Permits	2,425	-	-	2,425
Miscellaneous	<u>9,869</u>	<u>-</u>	<u>-</u>	<u>9,869</u>
Total Revenues	152,146	38,847	39,311	230,304
Expenditures				
Legislative	11,802	-	-	11,802
General Government	73,544	-	-	73,544
Public Safety	11,722	38,847	-	50,569
Public Works	15,638	-	101,857	117,495
Refuse Collection and Disposal	2,888	-	-	2,888
Other Functions	10,894	-	-	10,894
Capital Outlay	<u>7,729</u>	<u>-</u>	<u>-</u>	<u>7,729</u>
Total Expenditures	134,217	38,847	101,857	274,921
Excess Revenues Over (Under) Expenditures	17,929	-	(62,546)	(44,617)
Fund Balance - April 1	<u>230,190</u>	<u>-</u>	<u>101,304</u>	<u>331,494</u>
Fund Balance - March 31	<u><u>\$ 248,119</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 38,758</u></u>	<u><u>\$ 286,877</u></u>

The Notes to the Financial Statements are an integral part of this statement.

TOWNSHIP OF LINCOLN

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities March 31, 2005

Net Changes in Fund Balances - Total Governmental Funds	\$ (44,617)
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Amounts reported for governmental activities in the Statement of Activities are different because:

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities:

Capital outlay reported in governmental fund statements	7,729	
Capital outlay reported as expenses in Statement of Activities	(629)	
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to Increase (decrease) assets.	-	
Depreciation expense reported in the Statement of Activities	<u>(1,680)</u>	<u>5,420</u>

Changes in Net Assets - Governmental Activities	<u>\$ (39,197)</u>
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The Notes to the Financial Statements are an integral part of this statement.

TOWNSHIP OF LINCOLN

Statement of Net Assets - Fiduciary Funds
March 31, 2005

	<u>Tax Funds</u>
ASSETS	
Cash	<u>\$ 6</u>
LIABILITIES	
Due to Other Units	<u>\$ 6</u>

The Notes to the Financial Statements are an integral part of this statement.

TOWNSHIP OF LINCOLN

Notes to the Financial Statements For the Fiscal Year Ended March 31, 2005

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Lincoln Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Lincoln Township:

In fiscal year 2005, the Township adopted GASB Statement No. 34, "*Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments.*" GASB Statement No. 34 requires new basic financial statements for reporting on the Township's financial activities. The effect of this change was to include management's discussion and analysis and include the government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information on major funds, rather than by fund type.

The more significant accounting policies of the Township are described below:

1. Reporting Entity

The reporting entity is a general law township as defined by the laws of the State of Michigan. The Township is governed by a Supervisor and Township Board.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

- a. Appoints a voting majority of the organization's board, and, has the ability to impose its will on the organization; or
- b. There is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based upon this criteria, there are no other entities included in this report.

2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from

business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

3. **Measurement Focus, Basis of Accounting and Financial Statement Presentation**
The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for property taxes, which are recognized as revenue in the year for which they are levied. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is when they become both measurable and available to finance expenditures of the fiscal period.

1. **Property Taxes Receivable**

The Township property tax is levied on each December 1st on the taxable valuation of the property (as defined by state statutes) located in the Township as of the preceding December 31st. The taxes are due on September 14th and

February 14th, with the final collection date of February 28th before they are added to the County tax rolls. The 2004 delinquent taxes of \$15,225 were received in June 2005, thus recorded as a receivable.

The 2004 taxable valuation of the Township totaled \$28,430,565 on which ad valorem taxes levied consisted of .7615 mills for general operating, 1.3626 mills for roads, and 1.3626 mills for fire operating raising \$21,707 for operating, \$11,218 for PTAF, \$38,847 for roads, and \$38,847 for fire operational. These amounts are recognized in the respective general and special revenue fund financial statements as current tax revenue.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund accounts for the resources of property tax revenue and charges for services that are restricted for operational purposes.

The Road Fund accounts for property tax revenues that are restricted for the use of road improvements.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

4. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund based on the cash balance in each fund.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

Inventories and Prepaid Items - Payments for inventoriable types of supplies are

Notes to the Financial Statements (Continued)

recorded as expenditures at the time of purchase. There were no material inventories at year-end.

Restricted Assets - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government wide financial statements.

Capital Assets - Capital assets, which include property and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements and Sheds	15 to 30 years
Office Equipment	5 to 20 years
General Equipment	5 to 20 years

NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The Township approves its originally adopted budget by the end of the current fiscal year. Amendments are approved periodically during the year.

The budget document presents information by fund, activity, and line items. The legal level of budgetary control adopted by the governing body is the activity level.

The Township does not utilize encumbrance accounting.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Local Governmental Unit did not incur expenditures in which were materially in excess of the amounts appropriated.

NOTE C DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks;

commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated Independent Bank West for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in certificates of deposit, savings accounts, deposit accounts, or depository of a financial institution. A public corporation that invests its funds shall not deposit or invest funds in a financial institution that is not eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States, but not the remainder of State statutory authority as listed below:

Investment pools through an inter local agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.

The investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.11 to 129.118.

The Township's deposits and investment policy are in accordance with statutory authority.

At year-end, the Township's deposits were reported in the basic financial statements in the following categories:

	Governmental <u>Activities</u>	Fiduciary <u>Funds</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 276,977	\$ 6	\$ 276,983

The bank balance of the Township's deposits is \$314,134, of which \$141,123 is covered by federal depository insurance, \$173,011 is uninsured.

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments are normally categorized to give an indication of the level of risk assumed by the Township; however, cash management funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

Notes to the Financial Statements (Continued)

NOTE D CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 3,000	\$ -	\$ -	\$ 3,000
Capital Assets Being Depreciated				
Buildings	8,571	7,100	-	15,671
Equipment	7,000	-	-	7,000
Office Equipment	<u>9,908</u>	<u>-</u>	<u>-</u>	<u>9,908</u>
Subtotal	25,479	7,100	-	32,579
Less Accumulated Depreciation for				
Buildings	7,062	198	-	7,260
Equipment	3,500	400	-	3,900
Office Equipment	<u>4,536</u>	<u>1,082</u>	<u>-</u>	<u>5,618</u>
Subtotal	<u>15,098</u>	<u>1,680</u>	<u>-</u>	<u>16,778</u>
Net Capital Assets Being Depreciated	10,381	5,420	-	15,801
Total Governmental Activities Capital Capital Assets - Net of Depreciation	<u>\$ 13,381</u>	<u>\$ 5,420</u>	<u>\$ -</u>	<u>\$ 18,801</u>

Depreciation expense was not charged to programs of the primary government.

NOTE E PENSION PLAN

The Township provides pension benefits to all elected officials through a defined contribution plan administered by Manulife Insurance Company. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township Board, the plan is funded by participants to the extent they elect to contribute after tax into the plan from 1% to 80%, and by a contribution from the Township of a flat rate based upon each participant's annual compensation not to exceed the limits of Code Section 415. The Township's contributions for each employee (plus interest allocated to the employee's account) are fully vested immediately upon deposit of the contribution by the Township.

The Township's total payroll during the current year was \$54,644 and the total pension, including fees, was \$8,240.

NOTE F RELATED PARTY TRANSACTIONS

During the current fiscal year, the Board approved the construction of a new out building for the cemetery. The contract was awarded to Dickinson Construction Company in the amount of \$7,100 (including fees). Dennis Dickinson is owner of this company and also serves on the Township Board. Dickinson Construction Company was paid in full.

TOWNSHIP OF LINCOLN

Required Supplementary Information Budgetary Comparison Schedule for the General Fund For the Year Ended March 31, 2005

	Budgeted Amounts			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Fund Balance	\$ 231,439	\$ 231,439	\$ 230,190	\$ (1,249)
Resources (Inflows)				
Property Taxes	31,000	31,000	32,925	1,925
State Grants	95,000	95,200	101,963	6,763
Charges for Services	3,700	3,700	2,883	(817)
Interest	1,800	1,800	2,081	281
Licenses and Permits	2,200	2,200	2,425	225
Miscellaneous	<u>7,910</u>	<u>7,710</u>	<u>9,869</u>	<u>2,159</u>
Amounts Available for Appropriation	<u>\$ 373,049</u>	<u>\$ 373,049</u>	<u>\$ 382,336</u>	<u>\$ (9,287)</u>
Changes to Appropriations (Outflows)				
Legislative	\$ 10,675	\$ 11,900	\$ 11,802	\$ 98
General Government	74,825	83,575	81,273	2,302
Public Safety	9,475	12,875	11,722	1,153
Public Works	21,650	17,550	15,638	1,912
Refuse Collection and Disposal	3,450	3,450	2,888	562
Other Functions	<u>21,535</u>	<u>12,260</u>	<u>10,894</u>	<u>1,366</u>
Total Charges for Appropriations	141,610	141,610	134,217	7,393
Budgetary Fund Balance - March 31, 2005	<u>\$ 231,439</u>	<u>\$ 231,439</u>	<u>\$ 248,119</u>	<u>\$ 16,680</u>

TOWNSHIP OF LINCOLN

Required Supplementary Information Budgetary Comparison Schedule for the Fire Fund For the Year Ended March 31, 2005

	Budgeted Amounts			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Fund Balance	\$ -	\$ -	\$ -	\$ -
Resources (Inflows)				
Property Taxes	<u>38,400</u>	<u>38,400</u>	<u>38,847</u>	<u>447</u>
Amounts Available for Appropriation	<u>\$ 38,400</u>	<u>\$ 38,400</u>	<u>\$ 38,847</u>	<u>\$ 447</u>
Changes to Appropriations (Outflows)				
Public Safety				
Contracted Services	<u>\$ 38,400</u>	<u>\$ 38,400</u>	<u>\$ 38,847</u>	<u>\$ (447)</u>
Total Charges to Appropriations	38,400	38,400	38,847	(447)
Budgetary Fund Balance				
- March 31, 2005	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWNSHIP OF LINCOLN

Required Supplementary Information Budgetary Comparison Schedule for the Road Fund For the Year Ended March 31, 2005

	Budgeted Amounts			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Fund Balance	\$ 142,175	\$ 142,175	\$ 101,304	\$ (40,871)
Resources (Inflows)				
Property Taxes	37,400	37,400	38,847	1,447
Interest	<u>1,000</u>	<u>1,000</u>	<u>464</u>	<u>(536)</u>
Amounts Available for Appropriation	<u>\$ 180,575</u>	<u>\$ 180,575</u>	<u>\$ 140,615</u>	<u>\$ 39,960</u>
Changes to Appropriations (Outflows)				
Public Works				
Contracted Services	<u>\$ 38,400</u>	<u>\$ 140,257</u>	<u>\$ 101,857</u>	<u>\$ 38,400</u>
Total Charges to Appropriations	38,400	140,257	101,857	38,400
Budgetary Fund Balance - March 31, 2005	<u>\$ 142,175</u>	<u>\$ 40,318</u>	<u>\$ 38,758</u>	<u>\$ 1,560</u>

TOWNSHIP OF LINCOLN

Statement of Revenues, Expenditures and Change in Fund Balance - Budget and Actual - General Fund For the Fiscal Year Ended March 31, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues			
Property Taxes	\$ 20,600	\$ 21,707	\$ 1,107
Payment in Lieu of Taxes	2,800	5,867	3,067
Property Tax Administration Fee	10,400	11,218	818
State Grants	95,200	101,963	6,763
Charges for Services	3,700	2,883	(817)
Interest on Investments	1,800	2,081	281
Refunds and Reimbursements	3,500	3,520	20
Licenses and Permits	2,200	2,425	225
Miscellaneous	<u>1,410</u>	<u>482</u>	<u>(928)</u>
Total Revenues	141,610	152,146	10,536
Expenditures			
Legislative			
Township Board			
Salaries and Wages		4,300	
Printing & Publishing		571	
Dues		734	
Professional Services		6,133	
Miscellaneous		<u>64</u>	
Total Legislative	11,900	11,802	98
General Government			
Supervisor			
Salaries and Wages - Supervisor		9,200	
Office Supplies		13	
Transportation		<u>5</u>	
	9,675	9,218	457
Elections			
Salaries and Wages		1,300	
Professional Services		630	
Printing and Publishing		244	
Supplies		212	
Transportation		148	
Capital Outlay		<u>479</u>	
	\$ 3,110	3,013	\$ 97

Statement of Revenues, Expenditures and Change in
Fund Balance - Budget and Actual - General Fund (Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Assessor			
Supplies		\$ 1,110	
Professional Services		<u>12,485</u>	
	\$ 14,075	13,595	\$ 480
Clerk			
Salaries and Wages - Clerk		10,750	
- Deputy		1,000	
Office Supplies		1,447	
Transportation		332	
Professional Services		600	
Telephone		578	
Capital Outlay		<u>150</u>	
	14,900	14,857	43
Board of Review			
Salaries and Wages		975	
Printing and Publishing		<u>208</u>	
	1,440	1,183	257
Treasurer			
Salaries and Wages - Treasurer		13,000	
- Deputy		1,000	
Office Supplies		1,173	
Transportation		<u>825</u>	
	16,050	15,998	52
Township Hall			
Supplies		46	
Utilities		1,080	
Professional Services		150	
Repairs and Maintenance		<u>904</u>	
	2,950	2,180	770
Cemetery			
Salaries and Wages		4,080	
Operating Supplies		118	
Repairs and Maintenance		1,468	
Public Utilities		223	
Capital Outlay		<u>7,100</u>	
	\$ 13,375	\$ 12,989	\$ 386

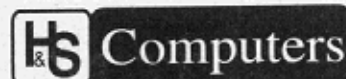
Statement of Revenues, Expenditures and Change in
Fund Balance - Budget and Actual - General Fund (Continued)

	<u>Budget</u>	Favorable <u>Actual</u>	(Unfavorable)
Other General Government Services			
Pension	<u>\$ 8,000</u>	<u>\$ 8,240</u>	<u>\$ (240)</u>
Total General Government	83,575	81,273	2,302
Public Safety			
Planning/Zoning Board		9,039	
Salaries and Wages		546	
Supplies		454	
Transportation		1,363	
Contracted Services		<u>320</u>	
Miscellaneous			
Total Public Safety	12,875	11,722	1,153
Public Works			
Highways, Streets and Bridges			
Contracted Services - Road Work		<u>15,638</u>	
Total Public Works	17,550	15,638	1,912
Refuse Collection and Disposal			
Supplies		518	
Contracted Services		<u>2,370</u>	
Total Refuse Collection and Disposal	3,450	2,888	562
Other Functions			
Payroll Taxes		1,562	
Miscellaneous		3,448	
Insurance		<u>5,884</u>	
Total Other Functions	<u>12,260</u>	<u>10,894</u>	<u>1,366</u>
Total Expenditures	<u>141,610</u>	<u>134,217</u>	<u>7,393</u>
Excess Revenues Over (Under) Expenditures	-	17,929	17,929
Fund Balances - Beginning of Year	<u>231,439</u>	<u>230,190</u>	<u>(1,249)</u>
Fund Balances - End of Year	<u>\$ 231,439</u>	<u>\$ 248,119</u>	<u>\$ 16,680</u>

HS & Companies



Hendon & Slate, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS



June 16, 2005

Township Board
Lincoln Township
2776 N. Baldwin Avenue
White Cloud, MI 49349

Dear Board Members:

In connection with our recent examination of the financial statements of Lincoln Township for the fiscal year ended March 31, 2005, we offer the following comments and recommendations:

CURRENT COMMENTS BOOKS AND RECORDS

We would like to commend the Clerk and Treasurer on the condition of the books and records. This information was well organized and complete.

BANK RECONCILIATIONS

The bank reconciliations are being completed by both the Clerk and Treasurer to ensure there are no differences in each of their cash balances. This is a very important process and one in which both the Clerk and Treasurer do very well. We would like to recommend the Treasurer complete bank reconciliations on reports separate from the check register. This will help determine which checks and deposits are outstanding to a particular month. With the current system, it would be difficult to go into a prior month and determine which items were outstanding. By listing the outstanding items on a separate report, it will help you identify items that have not cleared for an extended period of time.

GASB 34

We would like to commend the Clerk for being prepared for the GASB 34 conversion that took place with the current audited financial statements. As you review the financial statements, you will see the changes over the prior audit.

MUNICIPAL FINANCE ACT

The State of Michigan requires each governmental entity to file Form 3883 – Municipal Finance Qualifying Statement on an annual basis. As a courtesy, we completed this form for the 2002-2003 audit period. However, the State has changed its procedures and this form must be filed online. Therefore, we are

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Grand Rapids, MI 49546
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Fax (616) 954-3990

Muskegon
950 W. Norton Ave.
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Muskegon, MI 49441
Phone (231) 733-0076
Fax (231) 733-0185

Fremont
711 West Main Street
Fremont, MI 49412
Phone (231) 924-6890
Fax (231) 924-4088
Toll Free (800) 924-6891

Whitehall
116 W. Colby, Suite B
Century Building
Whitehall, MI 49461
Phone (231) 893-6772
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Hart
2332 North Comfort Drive
Hart, MI 49420
Phone (231) 873-5611
Fax (231) 873-7033

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June 16, 2005

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unable to complete it. Please visit <http://michigan.gov/treasury>. Click on "Local Government". Select Municipal Finance. Then select online qualifying statement to complete the Municipal Finance Qualifying Statement.

We appreciate the courtesy extended to us during the course of the audit. We will be happy to assist in the implementation of any of the recommendations mentioned in this letter or answer any questions regarding the audit.

Respectfully submitted,

A handwritten signature in cursive script that reads "Jodi DeKuiper, CPA".

Jodi DeKuiper, CPA
Hendon & Slate, P.C.